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Research proposal (work in progress)

Do local politicians use financial information?

An analysis of the annual budget discussion in Flemish municipal councils.

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Introduction

During the last decades municipalities have been exposed to New Public Management (NPM) reforms, emphasizing the importance of quantitative information. On the one hand, terms such as 'indicators, performance and results' have become ubiquitous in contemporary governance, also for local entities. One of the few undisputed facts about NPM is that it has significantly enhanced policymakers' exposure to hard, quantitative and financial information (Askim 2007, Yetano 2009). Citizens, public managers, officials and politicians have more numerical and analytical information now than ever before (Moynihan 2010). On the other hand, the restructurings also aim at modernizing political institutions and guiding political decision-making into a more analytical and quantitative direction; in order to attain a more rational, strategic and goal steering orientation of elected representatives. To fulfill this role the use of quantitative financial information is indispensable. The frequent occurrence of similar reforms in Europe indicates that they are often regarded as success stories. However, there is increasing evidence that the effects of these widespread NPM reforms could be disappointing, especially regarding their impact on the political field (Lapsley 2009).

Focus on politicians

NPM reforms in local government not only generate administrative and legislative innovation, they also aim at influencing politicians' behavior, making them more rational, goal steering, strategic and analytic thinkers (Steyvers et al 2006). Therefore, various authors claim that the evaluation of NPM reforms in a political context should be studied from a contextual, cultural and human perspective (Lapsley 2011, Lounsbury 2008). Hood demonstrated nearly two decades ago, that there is considerable variability in the extent to which and the way in which NPM reforms embed themselves in specific settings (Hood 1991, 1995). According to Lounsbury (2008) the dynamics of practice can be studied by revealing the multiple logics and tracing the changes in these logics (Van Helden & Ter Bogt 2011). Especially for local government, NPM reforms cannot be evaluated without looking at the political logic. Some identify 'its lack of understanding for political processes and things political' as the most fundamental problem of the new managerialism (Steyvers et al. 2006). In order to succeed, NPM reforms have to get their message across to the political world in a way that its members would pick up the ball in their behavior (Schedler 2003). Councilors are therefore considered as political protagonists and consequently their actions in the council may be used as a privileged indicator of the change that NPM reforms hope to achieve (Brugué & Vallès 2005). Elected representatives' support gives "political weight" to the tool and plays an important role in integrating performance measurement in decision-making (Tat Kei Ho 2005).

In fact, their commitment legitimates and helps to ensure funding for the reform (Yetano 2009). The support of city councils as political bodies is indeed incontrovertible as councilors will have to accept the needs and benefits of the NPM concept and support its implementation. Local politicians have to be willing to modify their perspective on control and support its processes of decision-making with rational, objective and focused information (Windels 2007). Consequently, NPM advocates tried to make politicians think and act in a new mode so that the NPM reform could be implemented with full coverage of the administration.

Reasons for scepticism

Several studies using different methodologies generated both believers and non-believers concerning use of objective, financial, quantitative and analytical information for political decision-making.

On the one hand, there are many sceptics among academics, politicians and managers who state that the claimed advantages cannot be realized due to the complexity of local government (Yetano 2009). According to Talbot (2005) the biggest challenge to the measurement movement today is elected representatives' apparent lack of interest in quantitative information. There are various grounds that explain this disinterest: opposed logic between the economic and political thinking, unclear role distinction amongst politicians and administrators, different time horizons and politicians' perception of the information.

(Pollitt & Bouckaert, 2000, ter Bogt, 2004, Johnsen & Vakkuri, 2010, Van Dooren 2010, Van de Walle & Van Dooren, 2008)	<p><i>Opposed logics</i></p> <ul style="list-style-type: none"> - conflict between 'economic efficiency' and 'political efficiency' - conflicting with their political ideology - distrust of the administration - information written from another perspective - reports focus on outcomes whereas politicians want involvement in inputs and outputs.
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(Van Thiel & Leeuw, 2002, Hansen, 2001, Liguori, 2010, Steyvers et al, 2006)	<p><i>Unclear role distinction</i></p> <ul style="list-style-type: none"> - both politicians and administrators fill their roles with a mix of activities - limited use due to intensive contact with the field and an orientation towards operational issues
(Schedler, 2003, Van Hengel et al, 2010)	<p><i>Divergent time horizons</i></p> <ul style="list-style-type: none"> - political rationality calls for solutions to acute problems while the NPM discourse stimulates long term strategic planning - new council emphasizes other aspects and requires other information - information overload and time constraints
(Tat-Kei Ho, 2005, Van Dooren, 2010)	<p><i>Negative perception</i></p> <ul style="list-style-type: none"> - media attention for negative performance - politicization of information - performance reports lacking credibility

On the other hand, some academics argue that empirical research shows surprisingly high levels of utilization (Askim 2007). Similarly, there are various reasons why politicians should indeed use quantitative, financial and analytic information.

(Van Dooren et al, 2010, Askim 2007)	<ul style="list-style-type: none"> - useful for advancing a cause or critiquing opponents - knowledge enhances power positions in the council - use for symbolic reasons, to be seen as modern
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	<ul style="list-style-type: none"> - indispensable for guidance, control and evaluation -to communicate about (past) performance -to authorize expenses and to take responsibility and be accountable -to measure and evaluate the performance of public entities - to concretize the overall goals, in order to render goal making and steering more politically meaningful -enables decisions and actions that lead to more efficient and effective goal fulfilment - to stimulate the choice of appropriate strategies - a key source of political inspiration - budget preparation, agenda setting activities - to identify problems and put them on the agenda
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As a matter of fact, we could say that our knowledge concerning local politicians' real use of financial information in the political debate largely remains a black box. The majority of the literature dealing with public accounting and reporting is about concepts and instruments and deals only limitedly with behavioural impacts (Grossi & Reichard 2009). There has been some research concerning budgeting practices at state level (Melkers & Willoughby 2005), but the closeness of local politicians to the public and the actual services delivered may foster an attention to NPM instruments not seen at other levels of government (Moynihan 2010). Most evidence on politicians' utilization is still rather anecdotal and stems from case studies. They have provided valuable insight and interesting hypotheses but little systematic evidence of levels and patterns of use (Askim 2007). Furthermore, survey material always

brings out a restricted picture of real use in practice. Other studies describe the type of information they prefer or their use during the various stages of decision making processes (ter Bogt 2004, Melkers & Willoughby 2005). Ter Bogt (2004) showed that Dutch aldermen prefer rich, verbal information from civil servants. The purpose of the use, for example to evaluate managers or civil servants, has also been investigated (ter Bogt 2003).

Given the need for information concerning the behaviour of politicians in NPM reforms, Lounsbury (2008) and Lapsley (2011) argue for a more 'human' and 'contextual' approach in evaluating NPM reforms. For example, as Askim (2007) states, we still have no systematic evidence of use of performance information for political decision-making. Research has provided far less knowledge about politicians' than about managers' behavior and it is not evident that findings concerning managerial use carry over to the political sphere as politicians and managers conduct their work in very different ways (Askim 2008, Lee 2008).

Focus on budget discussions

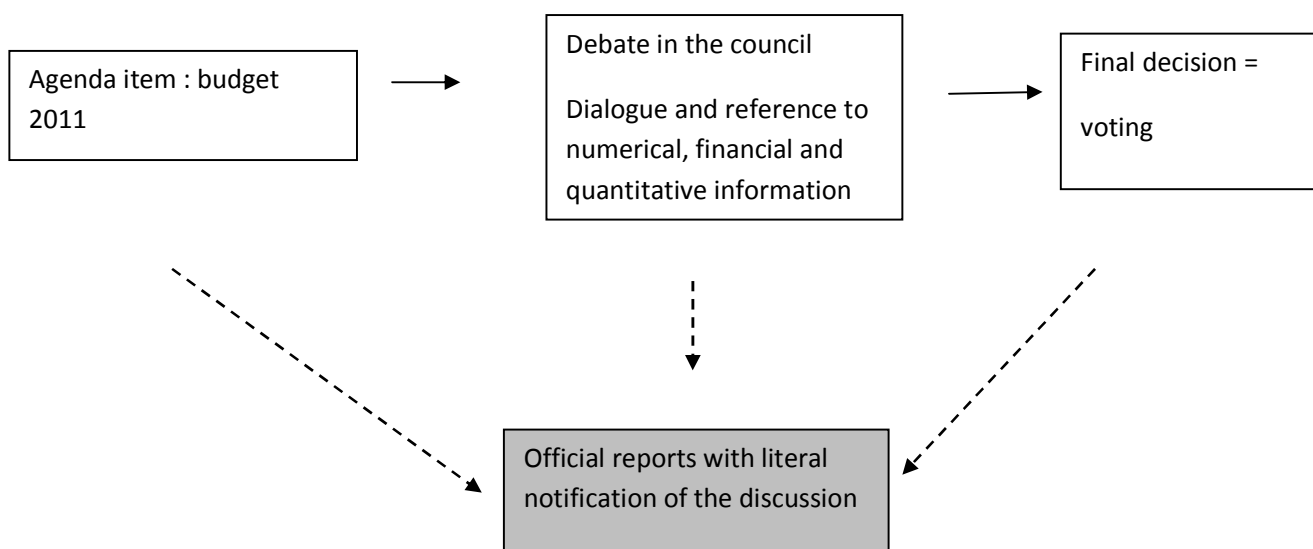
Therefore, this research attempts to evaluate if councilors use financial data for political decision-making. The debate concerning the annual budget offers opportunities for an empirical investigation of their actual usage. It reflects how local politicians really behave and argue in the council. Given the more factual, neutral, quantitative and numerical nature of the subject we can expect the debate to contain financial arguments. According to Melkers & Willoughby (2005) the greatest applicability of quantitative information seems to be in the budget development phase. This agenda item is prone to generate intense discussions because it relates to the municipalities' strategic long term planning with important financial implications. Certainly in local government, the smaller albeit more direct nature of government functioning means that a wider range of individuals (councilors) may be able to comment knowledgeably on the budget (Melkers & Willoughby 2005). The budget is the main document on which the council bases political decisions whether a traditional budgeting and accounting system is used or an accrual system (Adam & Behm 2006). The meeting is public and considered as the most important one. Obviously, for different reasons, councilors are motivated to comment on the budget proposal prepared by the board of mayor and aldermen. First of all, it is the duty of the councilors to control and supervise the local political executive and the municipal officers (De Groot et al. 2010). Politicians are eager to point to gaps between aspirations, actual activity and service delivery. For evident political and pragmatic reasons it is used by opposition members as ammunition in order to damage the majority.

Certainly in the decisional stage, for opportunistic motives, they use financial information as a rhetorical device, and only when it supports pre-existing policy positions (Askim 2007). As a consequence, parties in power tend to overemphasize success while parties in opposition tend to underline failures. Besides maximizing their chances of being re-elected and to win voters, they want to keep up with other groups that make active use of relevant budget information such as executive managers and central government agencies.

If we can reveal budget discussions to contain quantitative, financial and analytical arguments, this could show an openness from councilors towards more analytic and numerical information, associated with NPM. Consequently, we could presume that their attention for quantitative, financial information might be related to a more NPM-like range of thought. In particular, this paper investigates if we can combine a more financial, quantitative and analytic budget discussion to a more NPM-like mindset of councilors. In other words, is there a relation between a quantitative and analytical budget discussion and a more NPM-like attitude of councilors? Regardless of the form or quality of provided data, are councilors able to perceive the financial data as relevant and thus to use it adequately for decision-making? The analysis of the link between the characteristics of the budget discussion and a positive recognition of councilors for neutral, quantitative, financial, analytical information is entirely new in Flanders.

Data and methods

Data are collected from interviews with field experts, official documents and especially the councils' official reports containing the literal reproduction of the budget's debate. This enables us to exactly analyze the political dialogue of the budget discussion.



Flanders as empirical setting

As in many other European countries, the Belgian municipalities underwent several changes during the last decade. In 2002, the Belgian authority over local entities was regionalized, as a consequence Flanders and the Walloon provinces in Belgium followed a different reform track. Every Belgian region (the Flemish, the Walloon and the Brussels region) now has its own Local Government Act. The Flemish local government act is the most innovative. Fitting with NPM attention was given to a more businesslike and professionalized management of local government. The reform relates to aspects such as organisational culture, financial management, human resources and result oriented policy planning and evaluation. Because of the principally mandatory character of the Decree, the context in which Flemish municipalities operate is largely homogeneous. This homogeneous empirical setting enhances the comparability of empirical findings (de Buijn & van Helden 2006). Each municipality has a mayor, aldermen, councilors and a professional administration. Local elections are held simultaneously in all local governments every six years, the electoral system is a proportional one and most local governments are coalitions. The council proposes a candidate as mayor and an executive committee forming the board of mayor and aldermen is elected within the elected councilors.

Flanders has 308 local governments, varying from 80 to 480.000 inhabitants. Dependent on the number of inhabitants, Flemish councils count between 7 and 55 members, who are elected every six years. Most Flemish local councilors have ordinary jobs and are only part-time politicians. The local councilor without an executive mandate spends an average of 7.63 hours per week on his task as councilor and this for a very limited monetary compensation (Olislagers & Ackaert 2010). Local governments are multi-purpose governments. There are very important differences concerning financial capacity and budget structure. While the average expense comes to €561 per inhabitant, the smallest budget accounts for 561 € and the largest € 3.794, this is a proportion of 1 to 6. Another illustration; although taxes generate on average 49,4% of the receipts, this varies from the minimum of 18,9% and the maximum of 71,9% (Dexia Bank 2007). The preparation of the annual budget generally follows the same procedure. The board of mayor and aldermen and the CEO's together set guidelines, line managers formulate proposals, and then the two parties bargain until they reach an agreement. The budget proposal is officially discussed and voted during a councils' meeting, generally the last year's meeting in December.

We work with data on 65 municipalities, based on a proportional stratified sample according to the most detailed available clustering of municipalities, taking into account some 150 socio-economic factors (Dexia Bank 2007). Our sample represents 21,1% of the Flemish municipalities. Every municipality has been chosen randomly within its cluster.

Modeling

The statistical analysis will use regression. Information on how the variables were operationalized will be included in the appendix (to be completed).

Discussion and conclusion (to be completed)

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Appendix: Operationalization of Variables (to be completed)

Variable	Details
Cluster of the municipality	Source: Dexia Bank Belgium 2007 Scale: nominal Operationalization: 16 clusters of municipalities based on 150 social and economic indicators.
Power of the coalition	Source: Flemish administration of interior affairs Scale: scale Operationalization: concentration of political power measured by the number of parties in government (Le Maux et al 2011). Political power is the ratio of the number of seats of a party to the total number of seats (Le Maux et al 2011). The electoral margin of the majority. Guillamon et al 2011: number of aldermen of each party in council. The larger the coalition the less discussion, the smaller the electoral margin, the more discussion.
Composition of coalition	Source: Flemish administration of interior affairs Scale: nominal Operationalization: concentration of political power measured by the number of parties in coalition. Dummy variables: single party majority/coalition with different parties. Coalitions generate more discussion as different standpoints have to be reconciled.
Special council commission for financial affairs	Source: Flemish administration of interior affairs Scale: nominal Operationalization: dummy variable, presence of commission or not. The presence of a special council commission refers to a more professional organization, more involvement of councilors with budget and a recognition of the importance of financial affairs. Positive association between the presence of the commission and discussion.

<p>Knowledge of NPM concept of councilors</p>	<p>Source: survey</p> <p>Scale:</p> <p>Operationalization:</p> <ul style="list-style-type: none"> - Educational background (existing research is inconclusive, some say education level does not matter, others say higher education has a positive effect. The explanation usually offered is that people with advanced degrees and training are skilled at handling large amounts of formal, numerical or technical information. On the other hand, Askim (2008) found that utilization of performance information is lowest among the best educated councilors. The explanation offered is that councilors will seek and emphasize performance information when they are unsure what to do, the best educated already possess the knowledge they need to make decisions. (Askim 2008). - Experience and knowledge of financial management concepts and tools (checklist of 5 key-concepts) - Other political mandates (local, regional or federal level) - Workload, available time resources - Political experience (again, research is inconclusive, some argue that highly experienced politicians have good abilities to interpret and make use of financial information because they are more efficient readers of the large volume of budget documents and hence can more efficiently use time and interpret information. Due to their superior knowledge of information of their polity's history and due to their broad networks within and outside the political body, they are better positioned than less experienced to interpret financial information by comparing it against previous trends and working with other organizations. Others (Melkers & Willoughby 2005) found that performance information use decreased with experience. Inexperienced councilors are
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	<p>more receptive and more insecure than political veterans.</p> <ul style="list-style-type: none"> - Position: backbenchers and politicians in opposition make more use of performance information than do frontbenchers and politicians representing parties in power.(Askim 2008)
Ideology of the majority	<p>Source: Flemish administration of interior affairs</p> <p>Scale: nominal</p> <p>Operationalization: dummy variables. Left, right or combination</p>
Political competition (same as power of the coalition?)	<p>Source: Flemish administration of interior affairs</p> <p>Scale: scale</p> <p>Operationalization: Some councils resemble cozy clubs while others are war zones. The percentage of votes or seats obtained by the incumbent in the most recent electoral contest or the incumbents' electoral margin of victory are the most commonly used variables. Party competition is central to guarantee the efficient working of representative democracy. It implies that governments will not be self-perpetuating and that elections can and in some cases do lead to the replacement of one set of officials with another set. The chance or probability of turnover is perhaps the most salient feature of this system. Most of the empirical papers dealing with this issue use variables that try to measure this 'probability of turnover' (Solé-Ollé). Levels of political competition can be expected to influence the debate in the council. Competition can be considered high when many parties are represented in the polity and when political blocks are equal in size (Askim 2008). Views differ on how it affects the discussion of the budget. Some hold that low competition encourages discussion, because it facilitates fact-oriented discussions. Others hold that a high-competition environment is most promising for discussion. This statement was confirmed by Askim (2008) competition creates greater risks that badly performing parties will lose power. Such risks give parties in power incentives to improve their performance and they use the budget discussion as an</p>

	<p>improvement strategy. Neutral, numerical and financial information may untangle decision-processes that have stalled due to fierce ideological, inter-party or interpersonal difference (Askim 2008). Conflict levels are often influenced by competition levels, but interpersonal, historical and contextual factors also play a part. Therefore, high-conflict environment can be found even where competition is low and vice versa. High conflict levels can be expected to increase discussion.</p>
Chair of council	<p>Source: Flemish administration of interior affairs</p> <p>Scale: nominal</p> <p>Operationalization: dummy variables, 0= chairman mayor and 1= other councilor</p>
<p>Characteristics of the budget debate , presence of quantitative, financial analytical elements in discourse of debate (dependent variable)</p>	<p>Source: councils' official reports of the discussion concerning the budget 2011 (stratified sample of 65 municipalities)</p> <p>Scale:</p> <p>Operationalization: analysis of the dialogue of the debate. Evaluation based on index, composed of different items.</p> <p>References to items such as:</p> <ul style="list-style-type: none"> - result on cash basis and possible deficits or surplus - debt rate, debt position, evolution of debt - self-financing margin, cash flow - references to ratio's, percentages - surplus on annual account of 2010 - comparisons with data of previous budgets - underestimation of revenues, overestimation of expenditures - concrete numbers concerning personnel costs , % of total costs - mistakes, tangible errors in budget - amendments to the budget proposal - amount of transfers, beneficiaries - approved unanimously ? - amount of reserve - request for detailed discussion of separate components of the

	<p>budget</p> <p>- number of distinctive comments from councilors, without replies from Board</p>
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